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No. 10-1147

IN THE

# Supreme Court of the United States

WHITE & CASE LLP,

*Petitioner*,

v.

UNITED STATES OF AMERICA,

*Respondent*.

**On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit**

## REPLY TO BRIEF IN OPPOSITION

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## RULE 29.6 STATEMENT

The corporate disclosure statement included in the petition for a writ of certiorari, pursuant to Supreme Court Rule 29.6, remains accurate.

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## REPLY TO BRIEF IN OPPOSITION

DOJ concedes that the circuits take "different" approaches to resolving the question presented. Opp'n 7, 8, 10. This concession is unavoidable because the circuits themselves have expressly acknowledged the three-way circuit split (Pet. 17-22), and numerous commentators have confirmed its persistence (Pet. 20, 23). Indeed, a committee of the Judicial Conference of the United States recently acknowledged the split: "[On] whether a grand jury subpoena can trump a protective order entered in civil litigation, the circuits have split as to the proper approach." Standing Committee on Rules of Practice and Procedure, Judicial Conference of the United States, *Case Law on Entering Protective Orders, Entering Sealing Orders, and Modifying Protective Orders*, at 14 n.2 (2010) (providing lengthy analysis of CA3, CA1, CA9, CA2, CA11, and CA4), http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Caselaw_Study_of_Discovery_Protective_Orders.pdf.

DOJ nonetheless seeks to downplay the significance of the circuit split, arguing that the outcome of this case would have been the same in any of the relevant circuits. While predicting what other circuits would have done is an inexact exercise, there is substantial reason to believe that the First and Third Circuits, and certainly the Second, would have affirmed here, while the Fourth and Eleventh would have reversed, as the Ninth did.

### I. THE THREE-WAY CIRCUIT CONFLICT IS EXPRESS AND IMPLICATED SQUARELY IN THIS CASE.

The Federal Rules vest district courts with discretion both to enter protective orders and to

quash grand jury subpoenas. Pet. 2-4. When these discretionary powers intersect, the *per se* circuits purport to *divest* district courts of any discretion whatsoever, requiring them to automatically accord primacy to grand jury subpoenas. The First, Third, and Second Circuits, in contrast, preserve judicial discretion to consider relevant circumstances, but establish opposing presumptions to guide the analysis. While the Ninth Circuit here condemned the district court's circumstantial analysis, the First, Third, and Second Circuits would have endorsed it.

### A. The District Court's Order Quashing the Subpoenas Would Have Been Affirmed in the First and Third Circuits.

DOJ argues that "petitioners marshal no support from the decisions of the First or Third Circuits for the proposition that those courts would find any 'exceptional circumstances' in this case that would justify non-enforcement of the subpoenas." Opp'n 10. But DOJ ignores the exceptional circumstances expressly relied upon by the district court for that outcome. Pet. 12-13, 29-30.

The district court focused on several circumstances that it expressly found required an exception from the Ninth Circuit's *per se* rule, including: (i) the *causal relationship* between DOJ's grand jury investigation and the follow-on Class Actions, whose discovery brought foreign documents into the United States that DOJ otherwise could not obtain by grand jury subpoena; and (ii) DOJ's failure to exhaust or even attempt *other alternatives* to obtain the materials. Sealed App. 6; *see also* Pet. 30.

The district court also observed that, although there was no government misconduct here, there are nonetheless serious public-interest concerns with prosecutors obtaining foreign evidence beyond the grand jury subpoena power from concededly follow-on civil actions: "the Court is concerned about the potential for abuse in other cases." Sealed App. 6 n.1.

Thus, the district court undertook a comprehensive circumstantial analysis consistent with Rule 17(c)(2) and this Court's observations on that rule. *See R. Enters.*, 498 U.S. at 299 ("[W]hat is reasonable depends on context."). The Ninth Circuit flatly rejected the district court's circumstantial basis for quashing the subpoenas. App. 3a ("[W]e apply our per se rule that a grand jury subpoena takes precedence over a civil protective order."). But the First and Third Circuits would have embraced that analysis.

The First Circuit identified the conflict between the Second Circuit and *per se* circuits, and expressly rejected each of those ends of the spectrum in favor of an intermediate, third rule, which presumes that grand jury subpoenas trump civil protective orders—but provides judges discretion to rule otherwise. *Roach*, 138 F.3d at 444 (1st Cir. 1998) ("Turning first to *Martindell*, we believe that its creation of a presumption favoring the sanctity of civil protective orders tilts the scales in exactly the wrong direction."); *id.* at 445 ("Because th[e] per se rule obviates all analysis, it will trench upon legitimate concerns when (even if rarely) a solid case can be made for exceptional treatment.").

The Third Circuit followed suit, likewise rejecting the Second Circuit and *per se* rules and exalting judicial discretion. *In re Grand Jury*, 286 F.3d at 163 (3d Cir. 2002) ("[W]e do not wish to eliminate any possibility of a court exercising its discretion in an extraordinary case.").

DOJ tries to dismiss this express divergence as merely semantic. Opp'n 9. But the First/Third Circuit rule is purposefully different from the *per se* rule in preserving a district court's discretion to evaluate circumstances. The factors announced by the First/Third Circuits in their "exceptional circumstances" test validate the circumstantial inquiry conducted by the district court here, particularly the district court's focus on DOJ's failure to pursue letters rogatory or other established methods. *See* Pet. 22 (quoting CA1/CA3 factors, including "government's need" and "availability of other sources").

The district court here could not have been more explicit in its discussion of the exceptional circumstances warranting departure from the Ninth Circuit's *per se* rule, and the government need/alternative sources circumstances identified by the district court top the list of "exceptional circumstances" factors in the First/Third Circuits. The Ninth Circuit reversed the district court for an analysis and outcome that fit neatly within the First/Third Circuits' circumstantial test.

### B. The District Court's Order Quashing the Subpoenas Would Have Been Affirmed in the Second Circuit.

Before the Ninth Circuit, DOJ candidly conceded that "the Second Circuit has a contrary rule." Gov't C.A. Reply Br. 1 n.1. DOJ nonetheless posits for the first time now that the Second Circuit would have enforced DOJ's subpoenas because (i) the Second Circuit rule purportedly applies only to deposition testimony provided in reliance on a protective order, and (ii) the protective order here supposedly could not have been relied upon due to provisions allowing for "review" by DOJ and disclosure to state attorneys general or potentially at trial. Opp'n 11-16. Both attempts to distinguish the Second Circuit rule fail.

The Second Circuit's rule is *not* limited to deposition testimony, and has been applied to documents under protective order. In *Davis*, 702 F.2d 418 (2d Cir. 1983), the Second Circuit declined to apply *Martindell* as to deposition testimony, because there was no protective order over the deposition, but applied *Martindell* as to the documents, which were covered by a protective order: "A court may direct access to such material upon a proper showing of need. Here such a showing was amply demonstrated." *Id.* at 423. DOJ cites *Davis* but ignores these crucial aspects. Opp'n 12-13.

In *Palmieri*, 779 F.2d 861 (2d Cir. 1985), the Second Circuit reversed the district court's enforcement of a state grand jury subpoena for documents subject to protective order because the district court failed to undertake the *Martindell* inquiry: "we hold that the district court erred in not

expressly ascertaining whether the state had met its burden of proof under that test." *Id.* at 864. *Palmieri* observed that "the very papers and information that the Attorney General seeks apparently would not even have existed but for the sealing orders . . . ." *Id.* at 865. The district court here similarly recognized defendants' reliance on the protective order when compelled to produce overseas documents that otherwise would have been beyond DOJ's grand jury subpoena power. Pet. 30; *see also* Nat'l Ass'n of Mfrs.' Amicus Br. 12 n.7 (quoting transcript of Special Master hearing yielding the R&R adopted by the district court: "I am troubled by this idea that [a defendant] on the one hand can be ordered to bring this stuff into the United States, and then the Government can say, ah-ha you brought it in, now we gotcha.").

Thus, DOJ's refrain that parties cannot rely on a protective order over "pre-existing documents" ignores that *foreign* documents would not be subject to a grand jury subpoena but for production in follow-on civil discovery in reliance upon a protective order. DOJ, which argued to the Ninth Circuit that the defendants "made a choice" to produce the overseas documents rather than violate the district court's order (Gov't C.A. Br. 34), cannot now dispute that defendants relied upon the protective order in making that choice.

DOJ concedes that *Minpeco*, 832 F.2d 739 (2d Cir. 1987), "applied the *Martindell* presumption in a case apparently involving pre-existing documents," Opp'n 12 n.14, but attempts to distinguish *Minpeco* as civil rather than criminal enforcement. But DOJ itself repeatedly relies on *TheStreet.com*, a civil

enforcement case. (*TheStreet.com* merely held that the protective order in question could not provide confidentiality because the deponents had testified "at least a month *before* the entry of that order." 273 F.3d at 234.)

The Second Circuit's decisions in *Davis*, *Palmieri*, and *Minpeco* thus disprove DOJ's contention that the Second Circuit applies *Martindell* only to deposition testimony rather than documents. Furthermore, the comment in *Martindell* that "[t]he reliance of a private party upon protection of pre-existing documents from disclosure to the Government would *normally* be more difficult to justify than that of a witness who would, absent the protective order, have invoked his privilege and given no testimony at all[,]" 594 F.2d at 297 n.8 (emphasis added), is entirely consistent with the district court's explanation here of the special circumstances surrounding the production of overseas documents otherwise beyond the grand jury's reach in reliance on a protective order. (And, for all of DOJ's emphasis about deponents here asserting the Fifth Amendment, DOJ ignores that the deponents in *Martindell* did the same. *In re Grand Jury*, 836 F.2d at 1478 n.16.)

All told, the reliance identified by the district court along with its determination that DOJ did *not* need the protected discovery due to alternative sources, *e.g.*, Reply 2-3 *supra*, demonstrate that the district court's order falls squarely within the Second Circuit's *Martindell* presumption.

DOJ is similarly mistaken in arguing that any terms of the protective order here would remove it from the *Martindell* presumption. As to DOJ's ability

to "review but not copy" the overseas documents, DOJ ignores that from the outset the district court designed its orders to prevent the parallel civil discovery from being presented to the grand jury: "the United States shall be limited to reviewing access only, without the right to copy foreign documents and deposition transcripts of foreign national employees of the . . . non-indicted foreign defendant[s] . . . ." Sealed App. 4; *see also* App. 14a ("[A]s long as copies of its foreign discovery are not available for presentation to the grand jury, the prejudice to defendants, if any, appears minimal.").

Thus, it was entirely consistent with the court's intentions that state attorneys general could access the documents—subject to the protective order—for *civil* enforcement. Opp'n 4 n.5 (DOJ conceding that the court expressly forbade access by DOJ while simultaneously granting access to State AGs); Report & Recommendation on Motions Seeking Clarification or Modification of Protective Order at 2, *In re TFT-LCD (Flat Panel) Antitrust Litig.*, No. 3:07-md-1827 SI (N.D. Cal. Mar. 12, 2010) (ECF No. 1594) ("In making this recommendation, the Special Master is mindful of the fact that the States' subpoenas and civil investigative demands are civil and not criminal in nature . . . .") (adopted by district court).

As to supposed temporal limitations of the protective order, DOJ seizes upon a provision under which the district court shall revisit—not ignore—the application of the protective order at "hearings on dispositive motions and at trial." Gov't C.A. E.R. 60. But in this large MDL case there has never been any realistic prospect that any trial or dispositive evidentiary hearing would occur prior to the

expiration of the criminal statute of limitations. Furthermore, for more than two years the district court repeatedly rebuffed each of DOJ's attempts to pierce the protective order, each time protecting defendants' overseas materials that DOJ could not otherwise obtain by grand jury subpoena. Pet. 8-13. Under these circumstances, reliance upon the protective order was eminently reasonable, and would have been recognized as such by the Second Circuit.

## II. THE QUESTION PRESENTED WARRANTS REVIEW.

Given the opposite outcomes that would have resulted in different circuits, DOJ's remaining arguments may be addressed briefly.

DOJ argues at some length that the Ninth Circuit decision "is correct" (Opp'n 16-19) but that argument is a mere rehashing of the rationale provided by the circuits adopting the *per se* approach. DOJ's argument merits little response at this stage, other than the observation that such rationale was rejected by the Second Circuit and acknowledged, but diverged from, in the First and Third Circuits. Furthermore, DOJ never attempts to reconcile the abrogation of discretion under the *per se* rule with the plainly contrary text of Criminal Rule 17(c)(2) or this Court's observations on that rule in *R. Enterprises*.

Even though the question presented has percolated up to no fewer than six circuit courts, some repeatedly, DOJ questions the frequency with which the issue arises. In fact, there is ample reason to believe that reported decisions result in only a

small fraction of the instances in which the issue arises. And, there is little reason to expect many reported decisions in the circuits where the rule has been reduced to common practice. Indeed, as discussed in the Petition, but ignored by DOJ, the Second Circuit's rule is enshrined in a practice manual, and more broadly, the split among the circuits has become a matter of hornbook law. Pet. 20, 23. Given other factors—including the disinclination of many corporate targets to challenge DOJ investigatory authority, negotiated resolutions to such disputes, and Criminal Rule 6(e)'s under-seal requirements—it is telling that the question presented has nonetheless resulted in reported decisions in nearly half of the circuits.

DOJ concedes the increasing frequency of parallel civil and criminal litigation in the modern legal world. Opp'n 20. If DOJ is successful in expanding the reach of grand jury power in this case, an emboldened DOJ is sure to do the same in other matters. Indeed, during the pendency of this appeal, another grand jury subpoena has been issued to obtain civil discovery materials in the Fourth Circuit, another *per se* circuit. *See* Mike Scarcella, *DOJ Defending Grand Jury Subpoenas in Trade Secrets Theft Investigation*, The Blog of LegalTimes (Mar. 22, 2011), http://legaltimes.typepad.com/blt/2011/03/doj-defending-grand-jury-subpoenas-in-trade-secrets-theft-investigation.html (discussing *In re: Grand Jury Subpoena*, No. 10-4815 (4th Cir.) (under seal)).

The breadth of *amicus curiae* support for the Petition also underscores that varied interests view the question presented as one of recurring importance.

DOJ, which admits to "occasionally" seeking to stay civil discovery to avoid interference with its investigations (Opp'n 21), is nonetheless dismissive of any concern that the rights of investigatory targets might be affected by civil plaintiffs using broad civil discovery rules to leverage the investigatory powers of the grand jury. Opp'n 21. Aside from failing to appreciate constitutional concerns and other mischief that would certainly arise from such deputizing of civil plaintiffs, DOJ ignores that such a broadening of investigatory powers ought to occur, if at all, from carefully considered rule-changing action rather than as a result of opportunistic exploitation of existing civil and criminal procedures.

As to forum shopping, DOJ cannot seriously dispute that it considers the law of the relevant circuits in assessing where to conduct an investigation. Pet. 27-28 (detailing DOJ manual permitting prosecutors to consider "potential difficulties in conducting grand juries" when deciding where to empanel grand juries). The ability to use a grand jury subpoena to obtain civil discovery could be decisive in particular circumstances. Contrary to DOJ's assertion (Opp'n 22), civil plaintiffs, too, may have incentives to forum-shop, as some civil courts—particularly in *per se* circuits—may entertain motions to quash grand jury subpoenas seeking civil discovery and others may choose to modify civil protective orders to permit a grand jury subpoena. *See, e.g.*, *United States v. Oshatz*, 700 F. Supp. 696, 699, 701 (S.D.N.Y. 1988) (noting that civil judge in E.D. Va. had modified protective order to permit grand jury subpoena in an effort to comply with Fourth Circuit

law, but quashing subpoena under Second Circuit law).

Finally, while DOJ seeks to minimize the significance of its use of subpoenas to obtain *foreign* documents (Opp'n 23-28), that circumstance featured prominently in the district court's conclusion that compliance with the subpoenas would have been "unreasonable or oppressive" under Rule 17(c)(2). DOJ emphasizes that the foreign documents were brought into the United States, but ignores that they were brought here under the district court's order in civil actions triggered by DOJ's own investigation. But for the follow-on civil actions, the documents would never have come within the reach of a grand jury subpoena, as the Toshiba entities owning and controlling the documents were not present or otherwise subject to *in personam* jurisdiction for grand jury subpoenas. Opp'n 22-23. Those entities were subject to *in personam* jurisdiction in the civil actions solely due to the Hague Convention. In the absence of piggybacking on the civil actions, DOJ could only have sought the foreign documents through the customary means of letters rogatory, treaties, or informal diplomatic requests.

Contrary to DOJ's assertion (Opp'n 25), the district court was within its discretion under Rule 17(c)(2) in considering that DOJ's circumvention of established methods could cause international friction. *See also Empagran*, 542 U.S. at 164 (emphasizing need to construe statutes "to avoid unreasonable interference with the sovereign authority of other nations"). That exercise of discretion, which in no way interferes with the Executive's conduct of foreign affairs, would have

been applauded in half of the six circuits to consider the question presented. The conflict among those circuits needs to be resolved.

## CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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